GOVERNMENT OF INDIA
INFORMATION TECHNOLOGY
LOK SABHA

STARRED QUESTION NO:47
ANSWERED ON:25.07.2001
INTRODUCTION OF NEW IIITs
KAMBALAPADU E. KRISHNAMURTHY

Will the Minister of INFORMATION TECHNOLOGY be pleased to state:

(a) whether the Government proposes to give a great impetus to Information Technology the country;

(b) if so, the details of the action plan worked out in this regard;

(c) whether the Government proposes to introduce new Indian Institute of Information Technology (IIITs) for this purpose; and

(d) if so, the details of the places where these IIITs are likely to be established?

Answer

THE MINISTER OF PARLIAMENTARY AFFAIRS AND COMMUNICATIONS & INFORMATION TECHNOLOGY(SHRI PRAMOD MAHAJAN)

(a),(b),(c) and (d): A Statement is laid on the Table of the Lok Sabha.

STATEMENT REFERRED TO IN REPLY TO LOK SABHA STARRED QUESTION NO.47 FOR 25-07-2001 REGARDING INTRODUCTION OF IIIT.

(a) and (b): Yes, Sir. Various major initiatives taken in the past as well as those proposed to be taken by Government in the IT sector are:The Ministry of Information Technology had set up a Working Group on Information Technology for Masses. The Working Group (WG) has already submitted its report and has made a number of important recommendations. The WG has set an ambitious target of at least 100 million Internet connections by the year 2008 and 1 million Internet enabled IT kiosks/cyber cafes to be established covering the entire length and breadth of the country. Recently, a National IT Mission has been set up under the Chairmanship of Secretary(IT) for implementation of the recommendations of the WG on IT for masses.- To increase the reach of IT to the masses, the Government is setting up Community Information Centres (CICs) at all the 487 blocks in the North-East Region of the country including Sikkim. .- The Government has set up 20 Software Technology Parks (STPs) in the country to provide High-Speed Data Communication facilities and incubation facilities to the software exporting units in different parts of the country. Some more Centres are being set up in the country.- A National Venture Fund for Software and IT Industry (NFSIT) of Rs.100 crores has been set up to provide Venture Capital Finance to the IT Companies.- A Task Force on Human Resource Development in IT under the Chairmanship of Minister of Human Resource Development has been set up. The Task Force has submitted an interim report and has recommended doubling the intake at IITs/RECs from the next academic year and tripling the intake in the next two years.

- The Government has also announced a number of incentives for attracting and promoting the growth of Information Technology sector. The details of these incentives are given at Annexure.

- A number of initiatives have been taken under the Technology Development for Indian Languages (TDIL) programme of the Ministry of Information Technology for Indian languages at educational and R&D institutions to cover all the official languages under the constitution.

- A number of Technology Development initiatives have been taken for the areas of e-commerce, e-governance, e-security, e-learning, etc.

- Media Lab Asia project, a joint venture between MIT-USA and Government of India has also been launched reently.

-To address R&D in software technlology as well as for high quality manpower, National Centre for Software Technology (NCST) has been strengthened.

-IT Act, 2000 has been in place to facilitate e-commerce and e- governance in the country by providing legal framework for recognition of electronic contracts.

-For promoting the IT hardware sector, the bottlenecks vis-a-vis the steps required to be taken up by Government are being examined.

-Seven Study Teams have been set up to draw deailed plan of action and technology profiles towards finalizing Xth Plan.

(c) and (d): The Task Force on Human Resource Development (HRD) in IT has recommended that the possibility of setting up new

institutes of the level of IITs/IIITs in the country could be explored. It has also recommended that each major State could be facilitated to promote an exclusive institute for IT with State / Central funding (and external funding) and industry collaboration. The Task Force has not indicated any number of such institutions, students` intake therein or estimated per student expenditure.

ANNEXURE

Ministry of Information Technology

Incentives to IT Sector

1. Export Promotion Capital Goods scheme (EPCG) has been rationalised and extended uniformly to all sectors without any threshold limit on payment of 5% duty.

2. Approvals for all foreign direct investment proposals relating to the Information Technology sector, with the exception of Business-to-consumer (B2C) e-commerce are under the automatic route.

3. EHTP and STP schemes are implemented under the aegis of the Ministry of Information. Technology through a single window mechanism of the Inter-Ministerial Standing Committee (IMSC).

4. DTA access upto 50% of the FOB value of export is permitted for electronics hardware units under EOU/EPZ/EHTP schemes and the software units under EOU/EPZ/STP schemes. Broadbanding is permitted in the DTA sales of Hardware units for items covered in the Letter of Permission.

5. Accelerated depreciation norms for computers and computer peripherals for electronic units under Export Oriented schemes (EOU/EPZ/STP/EHTP) have been enhanced. These shall stand depreciated to overall limit of 90% over a period of 3 years instead of around 5 years earlier.

6. Special Economic Zones are being set up to enable hassle free manufacturing and trading for export purposes.

7. Value addition norms for Rupee exports to Russia reduced from 100% to 33% under Advance Licensing Scheme.

8. The Depreciation on Computers has been allowed @ 60%.

9. In the Budget 2001-02, the peak rate of customs duty continues @35%. Customs duty surcharge @ 10% has been abolished on all imports, in general but Special Additional Duty (SAD) @ 4% continues on all imports, except specific exemptions. In the 2000-01 Budget, Customs duty on Computers and Peripherals had been reduced from 20% to 15% and continues to be same. The Customs duty on all storage devices, integrated circuits, microprocessors, data display tubes and deflection components of colour monitors also continues at 0%. In the 200102 Budget, Customs duty on Information Technology Agreement (ITA-I) items of WTO (IT and Telecom products) has been reduced from existing 20-25% to 15%. The concessional rate of customs duty for specified raw materials for the electronics industry continues. Customs duty on parts of Telecom reduced to 5%. 32 items (additional) of Capital Goods allowed at a concessional duty of 5% for the manufacture of semiconductors.

10. In the Budget 2001-02, the Central Excise duty structure has been rationalised from multiple rates to single rate of 16% and single rate of Special Excise Duty (SED) @ 16%.

11. Information Technology Software is exempted from Customs and Excise Duty.

12. Second hand capital goods upto 10 years old have been made fTeely importable.

13. EOU/EPZ/STP/EHTP units are exempted from payment of Income Tax on export profits, upto 2010, in terms of Sections 10A and 10B of the Income Tax Act.

14. Exemption of withholding tax on interest on External Commercial Borrowings (ECBs) has been extended to the IT sector.

15. Definition of Computer Software, as in Section 80 HHE of the Income Tax Act has been widened to include transmission of data.

16. Benefit of Section 80 HHE is available to supporting software developers.

17. IT Enabled Services have been made eligible for Income Tax benefit under Sections 10A, 10B and 80HHE of the Income Tax Act.

18. The donation of computers, imported duty free by EOU/EPZ/STP/EHTP units to recognised non-commercial educational institutions, registered charitable hospitals, public libraries, public funded research and development establishments, etc., two years after their use by the said units has been permitted.

19. The second-hand computers and computer peripherals donated by an outside donor to Government schools have been exempted from customs duties.

20. Income by way of dividends or long-term capital gains of a Venture Capital Fund or Venture Capital company from investment made by way of equity shares in a Venture Capital Undertaking, which has been expanded to include the Software and IT sectors, will henceforth not be included in computing the total income.

21. To give thrust to Venture Capital finance, SEBI has been made the single point nodal agency for registration and regulation of both domestic and overseas venture capital funds.

22. There will be no tax on distributed or undistributed income of Venture Capital Funds. The income distributedby the VCFs will only be taxed in the hands of the investors at the rates applicable to the nature of the income. VCFs will continue to be eligible for exemption even if the shares of the VC undertaking in which the VCFs havemade the initial investment are subsequently listed in a recognised stock exchange in India.

23. Under policy on portfolio investment, Foreign Institutional Investors (Fils) are permitted to invest in acompany upto an aggregate of24% of equity shares, extendable upto 40% subject to approvals. This limit has been raised from 40% to 49% in the Budget 2001-02.

24. Under the Employee Stock Option Scheme, income tax payable on income from GDRs purchased in foreign currency by a resident employee of IT software and service companies, shall be at a concessional rate of 10%.

25. Tax holiday under provisions of Section 80-IA (Infrastructure Status) has been extended to Internet ServiceProviders (ISPs) and Broadband Network providers.

26. Two-way fungibility has been permitted for ADRs/GDRs. Local shares can now be reconverted into ADRs/GDRs, subjectto sectoral caps.

27. To induce more investment for R&D activities, a weighted deduction of 125% on the sums paid to any university, college or an institution or a Scientific research association for the purposes of scientific, social or statistical research has been provided.

28. A National Venture Fund for Software and IT Industry (NFSIT) has been set up with a corpus of Rs. 100 crores,out of which MIT shall contribute Rs. 30 crores.

29. STPI has set up a business support centre in the USA, which is operational since November,1999, to promotebusiness for STP units and provide marketing support to SMEs.

30. Infonnation Technology Act 2000 has been enacted. This act deals with Cyber Security, Cyber Crime and otherinfonnation security related legal aspects. This will encourage expansion of e-commerce through internet.